

TOWN OF BUTNER, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2013

Town Council Members

Thomas W. Lane, Mayor

Vickie Hicks Cates

Christene Emory

Linda Russell Jordon

Terry Turner

Bill McKellar

Michel Branch

Administrative and Financial Staff

Tommy Marrow, Town Manager

Susan Hiscocks, Finance Director

Gloria Bauer, Accounting Technician

Dianne White, Town Clerk

**TOWN OF BUTNER, NORTH CAROLINA
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June 30, 2013**

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PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.
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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Town of Butner, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Butner's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Town of Butner, North Carolina as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary

comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Post Employment Schedules of Funding Progress and Employer Contributions on pages 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Butner's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and the procedures performed as described above the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of the Town of Butner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Butner's internal control over financial reporting and compliance.

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Butner, we offer readers of the Town of Butner's financial statements this narrative overview and analysis of the financial activities of the Town of Butner for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

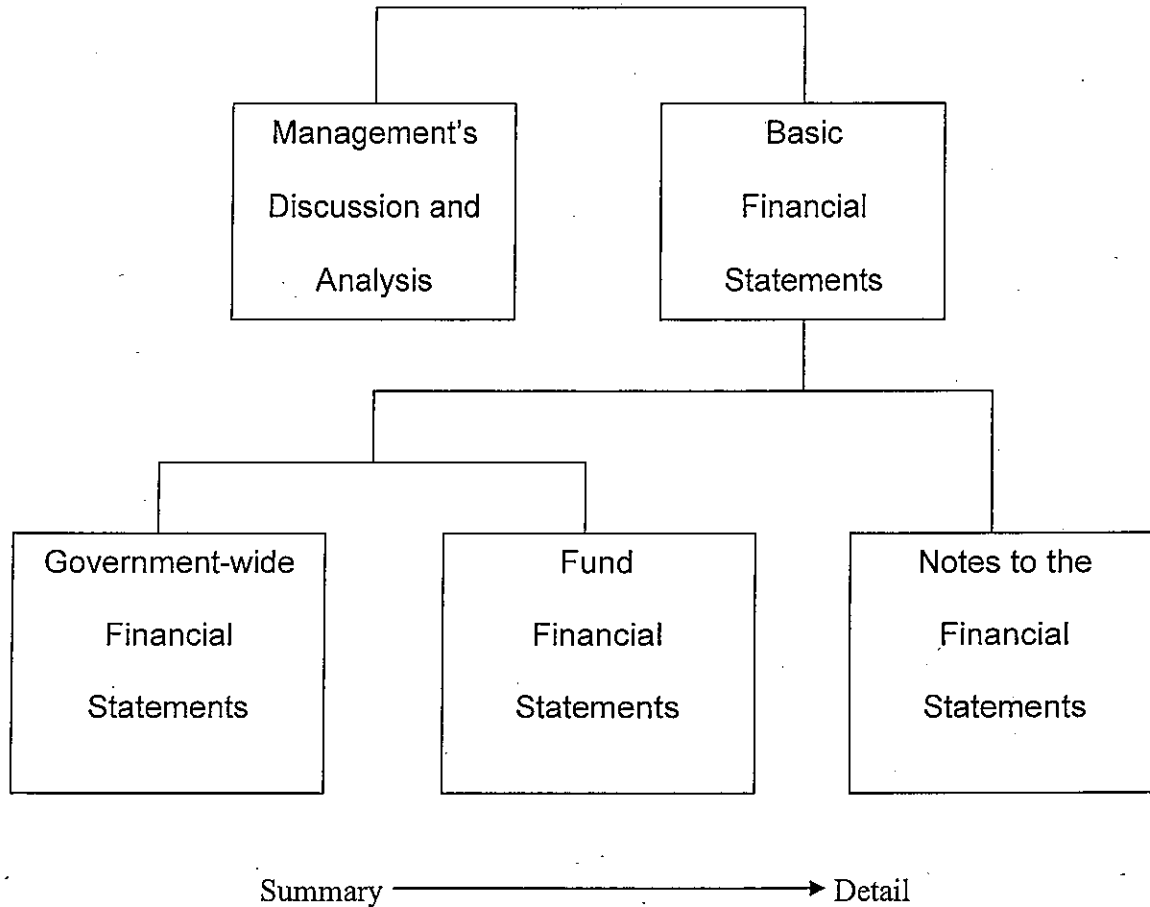
- The assets and deferred outflows of resources of the Town of Butner exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,939,689 (*net position*).
- The government's total net position increased by \$1,082,462, primarily due to the increase in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Butner's governmental funds reported combined ending fund balances of \$6,629,356 a decrease of \$232,439, in comparison with the prior year. Approximately 79.7 percent of this total amount, or \$5,283,180, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,263,520, or 146.5 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Butner's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Butner.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's

individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources; and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Butner, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Butner are: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash-flow-in-and-out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Butner adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board

about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds-The Town of Butner has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Butner uses enterprise funds to account for its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Town of Butner's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 7,406,056	\$ 7,514,602	\$ -	\$ 203,228	\$ 7,406,056	\$ 7,717,830
Capital assets	22,750,326	23,732,542	-	-	22,750,326	23,732,542
Total assets	<u>\$30,156,382</u>	<u>\$31,247,144</u>	<u>\$ -</u>	<u>\$ 203,228</u>	<u>\$30,156,382</u>	<u>\$31,450,372</u>
Deferred Outflows of Resources	\$ 8,492	\$ 7,584	\$ -	\$ -	\$ 8,492	\$ 7,584
Long-term liabilities outstanding	\$ 2,975,744	\$ 2,403,840	\$ -	\$ -	\$ 2,975,744	\$ 2,403,840
Other liabilities	328,907	1,102,803	-	8,475	328,907	1,111,278
Total liabilities	<u>3,304,651</u>	<u>3,506,643</u>	<u>-</u>	<u>8,475</u>	<u>3,304,651</u>	<u>3,515,118</u>
Deferred Inflows of Resources	\$ 2,996	\$ 3,149	\$ -	\$ -	\$ 2,996	\$ 3,149
Net assets:						
Invested in capital assets, net of related debt	\$19,958,818	\$21,232,542	\$ -	\$ -	\$19,958,818	\$21,232,542
Restricted	920,837	1,253,196	-	-	920,837	1,253,196
Unrestricted	5,977,572	5,259,198	-	194,753	5,977,572	5,453,951
Total net position	<u>\$26,857,227</u>	<u>\$27,744,936</u>	<u>\$ -</u>	<u>\$ 194,753</u>	<u>\$26,857,227</u>	<u>\$27,939,689</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Butner exceeded liabilities by \$27,939,689 as of June 30, 2013. The Town's net position increased by \$1,082,462 for the fiscal year ended June 30, 2013. The largest portion (75.99%) of net position reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Butner uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Butner's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Town of Butner's net position currently have \$1,253,196 in resources that are subject to external restrictions on how they may be used. The balance of \$5,453,951 is unrestricted.

Town of Butner Changes in Net position
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 207,217	\$ 262,172	\$ -	\$ 340,583	\$ 207,217	\$ 602,755
Operating grants and contributions	806,422	725,402	-	-	806,422	725,402
Capital grants and contributions	711,507	57,082	-	-	711,507	57,082
General revenues:						
Property taxes	1,964,324	1,932,652	-	-	1,964,324	1,932,652
Grants and contributions not restricted to specific programs	1,591,122	1,649,993	-	-	1,591,122	1,649,993
Investment earnings	4,136	3,238	-	-	4,136	3,238
Other	12,585	17,831	-	82	12,585	17,913
Total revenues	5,297,313	4,648,370	-	340,665	5,297,313	4,989,035
Expenses:						
General government	1,494,552	1,460,223	-	-	1,494,552	1,460,223
Public safety	1,782,959	1,907,351	-	-	1,782,959	1,907,351
Environmental Protection	205,978	19,168	-	-	205,978	19,168
Economic and physical	108,270	109,651	-	-	108,270	109,651
Cultural and recreational	65,706	185,744	-	-	65,706	185,744
Transportation	10,563	4,572	-	-	10,563	4,572
Stormwater	-	-	-	145,912	-	-
Interest on long-term debt	58,500	73,952	-	-	58,500	73,952
Total expenses	3,726,528	3,760,661	-	145,912	3,726,528	3,760,661
Increase in net position	1,570,785	887,709	-	194,753	1,570,785	1,082,462
Net assets, July 1	25,286,442	26,857,227	-	-	25,286,442	26,857,227
Net assets, June 30	\$ 26,857,227	\$ 27,744,936	\$ -	\$ 194,753	\$ 26,857,227	\$ 27,939,689

Governmental activities. Governmental activities increased the Town's net position by \$887,709 thereby accounting for 82% of the total growth in the net position of the Town of Butner.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Butner uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Butner's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Butner's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Butner. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,263,520, while total fund balance reached \$6,643,578. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 146.5 percent of total General Fund expenditures, while total fund balance represents 184.9 percent of that same amount.

At June 30, 2013, the governmental funds of Town of Butner reported a combined fund balance of \$6,629,356, a 3.39 percent decrease from last year.

General Fund Budgetary Highlights:

During the fiscal year, the Town did revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognized new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenue was greater than budgeted amounts primarily because the collection of ad valorem taxes was better than anticipated. Expenditures were, overall, held in check to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Butner's investment in capital assets for its governmental-type activities as of June 30, 2013, totals \$23,732,542 (net of accumulated depreciation). These assets include land, land improvements, machinery and equipment and vehicles.

Major capital asset transactions during the year include the following:

- Construction in progress on the construction of a new ball field for \$1,265,240

**Town of Butner's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2012	2013
Land	\$ 12,761,234	\$ 12,761,234
Construction in Progress	2,683,196	3,948,139
Land Improvements	820,521	804,917
Buildings and system	6,116,087	5,926,595
Machinery and equipment	223,173	193,608
Computer software	126,505	89,479
Vehicles and motorized equipment	28,102	8,570
	\$ 22,758,818	\$ 23,732,542
Total	\$ 22,758,818	\$ 23,732,542

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Interest rates remain extremely low and therefore investment income is almost non-existent.
- Ritchie Brothers opened a new auction site which should add a significant amount to the sales tax revenue collected by the county.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities:

Property taxes (due to an increased property tax collection percentage), sales tax revenue (benefiting from the population growth) and intergovernmental revenues from North Carolina Department of Health and Human Services for Public Safety Officers are expected to lead the increase in budgeted revenue by 12.35 percent.

Budgeted expenditures in the General Fund are expected to increase 12.35 percent to \$4,783,064.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Butner, 415A Central Avenue, P.O. Box 270, Butner, NC 27509-2315.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 6,433,815	\$ -	\$ 6,433,815
Restricted cash and investments	491,712		491,712
Accounts receivable	137,400	11,587	148,987
Sales tax receivable	230,927		230,927
Taxes receivable	160,274		160,274
Due from other funds	0	191,641	191,641
Accrued interest receivable on taxes	60,464		60,464
Prepaid expenses	10		10
Total Current Assets	7,514,602	203,228	7,514,602
NON-CURRENT ASSETS			
Capital Assets:			
Land and construction in progress	16,709,373		16,709,373
Other capital assets, net of depreciation	7,023,169		7,023,169
Total Capital Assets, net of depreciation	23,732,542	-	23,732,542
Total Noncurrent Assets	23,732,542	-	23,732,542
Total Assets	\$ 31,247,144	\$ 203,228	\$ 31,450,372
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges – issuance costs	\$ 7,584	\$ -	\$ 7,584
Total Deferred Outflows of Resources	\$ 7,584	\$ -	\$ 7,584
LIABILITIES			
CURRENT LIABILITIES			
Accrued liabilities	\$ 469,718	8,475	\$ 478,193
Accrued interest payable	93,956		93,956
Due to other funds	191,641	-	191,641
Current portion of long-term liabilities	347,488		347,488
Total Current Liabilities	1,102,803	8,475	1,111,278
LONG-TERM LIABILITIES			
Due in more than one year	2,403,840	-	2,403,840
Total Liabilities	3,506,643	8,475	3,515,118
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	3,149		3,149
Total Deferred Inflows of Resources	\$ 3,149	\$ -	\$ 3,149
NET POSITION			
Invested in capital assets, net of related debt	21,232,542		21,232,542
Restricted for:			
Stabilization by state statute	569,239		569,239
Transportation (Powell Bill)	676,836		676,836
Capital projects	6,955		6,955
Grant projects	166		166
Unrestricted	5,259,198	194,753	5,453,951
Total Net Position	\$ 27,744,936	\$ 194,753	\$ 27,939,689

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,460,223	\$ 262,172	\$ 500,000	\$ -	\$ (698,051)	\$ -	\$ (698,051)
Public safety	1,907,351	-	-	-	(1,907,351)	-	(1,907,351)
Environmental protection	19,168	-	4,322	-	(14,846)	-	(14,846)
Economic and physical development	109,651	-	-	-	(109,651)	-	(109,651)
Cultural and recreational	185,744	-	40,000	57,082	(88,662)	-	(88,662)
Transportation	4,572	-	181,080	-	176,508	-	176,508
Interest on long-term debt	73,952	-	-	-	(73,952)	-	(73,952)
Total governmental activities	\$ 3,760,661	\$ 262,172	\$ 725,402	\$ 57,082	\$ (2,716,005)	\$ -	\$ (2,716,005)
Business-type activities:							
Stormwater	145,912	340,583	-	-	-	194,671	194,671
Total primary government							
General revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 1,932,652	\$ -	\$ 1,932,652
Grants and contributions not restricted to specific programs					1,649,993		1,649,993
Unrestricted investment earnings					3,238		3,238
Other revenue					17,831	82	17,913
Total general revenues, special items, transfers					3,603,714	82	3,603,796
Change in net position					887,709	194,753	1,082,462
Net position - beginning					26,857,227	-	26,857,227
Net position - ending					\$ 27,744,936	\$ 194,753	\$ 27,939,689

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

**TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	MAJOR		NON-MAJOR	Total Governmental Funds
	General Fund	B Street Ballfield Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 6,051,102	\$ 382,713	\$ -	\$ 6,433,815
Restricted cash and investments	491,712	-	-	491,712
Accounts receivable	137,400	-	-	137,400
Sales tax receivable	209,665	21,262	-	230,927
Taxes receivable	160,274	-	-	160,274
Due from other funds	222,174	37,616	7,121	266,911
Prepaid expenses	10	-	-	10
Total Assets	<u>\$ 7,272,337</u>	<u>\$ 441,591</u>	<u>\$ 7,121</u>	<u>\$ 7,721,049</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 91,445	\$ 378,273	\$ -	\$ 469,718
Due to other funds	373,891	43,658	41,003	458,552
Total Liabilities	<u>465,336</u>	<u>421,931</u>	<u>41,003</u>	<u>928,270</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	160,274	-	-	160,274
Prepaid taxes	3,149	-	-	3,149
Total Deferred Inflows of Resources	<u>163,423</u>	<u>-</u>	<u>-</u>	<u>163,423</u>
FUND BALANCES				
Fund Balance				
Nonspendable:				
Prepaid items	10	-	-	10
Restricted:				
Stabilization by state statute	569,239	-	-	569,239
Streets – Powell Bill	676,836	-	-	676,836
Capital Projects	-	-	6,955	6,955
Grant Projects	-	-	166	166
Committed:				
General government	52,018	-	-	52,018
Cultural and recreational	76,955	-	-	76,955
Capital Projects	-	-	(41,003)	(41,003)
Grant Projects	5,000	-	-	5,000
Assigned:				
Subsequent year's expenditures	-	-	-	-
Unassigned:	5,263,520	19,660	-	5,283,180
Total Fund Balances	<u>6,643,578</u>	<u>19,660</u>	<u>(33,882)</u>	<u>6,629,356</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,272,337</u>	<u>\$ 441,591</u>	<u>\$ 7,121</u>	<u>\$ 7,721,049</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total equity and other credits (Exhibit 4)	\$ 6,629,356
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,732,542
Deferred charges reported in governmental activities are not financial resources and therefore are not reported in the funds.	7,584
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	60,464
Liabilities for earned but deferred revenues in fund statements.	160,274
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(2,751,328)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(93,956)</u>
Net position of governmental activities	<u><u>\$ 27,744,936</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	MAJOR		NON-MAJOR	Total Governmental Funds
	General Fund	B Street Ballfield Fund	Other Governmental Funds	
REVENUES				
Ad Valorem taxes	\$ 2,021,134	\$ -	\$ -	\$ 2,021,134
Unrestricted intergovernmental	1,649,993	-	-	1,649,993
Restricted intergovernmental	782,484	-	2,056	784,540
Permits and fees	172,713	-	-	172,713
Sales and services	89,459	-	-	89,459
Investment earnings	2,894	286	58	3,238
Other revenue	7,980	-	-	7,980
Total Revenues	<u>4,726,657</u>	<u>286</u>	<u>2,114</u>	<u>4,729,057</u>
EXPENDITURES				
Current:				
General government	1,024,191	-	-	1,024,191
Public safety	1,907,351	-	-	1,907,351
Environmental protection	19,168	-	-	19,168
Economic and physical development	108,805	-	-	108,805
Culture and recreation	142,728	-	-	142,728
Transportation	4,572	-	-	4,572
Debt service				
Issuance costs	-	-	-	-
Principle retirement	300,000	-	-	300,000
Interest and other charges	85,350	-	-	85,350
Capital outlay	-	1,324,751	60,355	1,385,106
Total Expenditures	<u>3,592,165</u>	<u>1,324,751</u>	<u>60,355</u>	<u>4,977,271</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>1,134,492</u>	<u>(1,324,465)</u>	<u>(58,241)</u>	<u>(248,214)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	-	-	-	-
Proceeds from sale of fixed assets	15,775	-	-	15,775
Interfund transfers	(171,000)	171,000	-	-
Total other financing sources (uses)	<u>(155,225)</u>	<u>171,000</u>	<u>-</u>	<u>15,775</u>
NET CHANGE IN FUND BALANCE				
	979,267	(1,153,465)	(58,241)	(232,439)
FUND BALANCE				
Beginning of Year - July 1	<u>5,664,311</u>	<u>1,173,125</u>	<u>24,359</u>	<u>6,861,795</u>
Ending Balance - June 30	<u>\$ 6,643,578</u>	<u>\$ 19,660</u>	<u>\$ (33,882)</u>	<u>\$ 6,629,356</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances -- total governmental funds	\$	(232,439)
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Governmental funds include the proceeds from the sale of fixed assets as an increase in financial resources. In the Statement of Activities, such proceeds are reduced by the cost of the assets sold.		(18,080)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in accrued interest receivable on taxes		(14,432)
Change in deferred revenues for taxes		(74,050)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay's exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized		1,342,090
Depreciation expense for governmental assets		(350,283)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued		-
Principal payments on long-term debt		300,000
Amortization expense for governmental debt issuance costs		(908)
Increase in accrued interest payable		11,398

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		(139)
Other postemployment benefits		(75,448)

Total changes in net position of governmental activities	\$	<u>887,709</u>
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The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Ad Valorem taxes	\$ 1,835,818	\$ 1,864,035	\$ 2,021,134	\$ 157,099
Unrestricted intergovernmental revenues	1,651,066	1,560,276	1,649,993	89,717
Restricted intergovernmental revenues	761,435	737,974	782,484	44,510
Permits and fees	75,000	83,000	172,713	89,713
Sales and services	90,900	82,900	89,459	6,559
Investment earnings	-	1,250	2,894	1,644
Other revenues	19,500	18,500	7,980	(10,520)
Total Revenues	4,433,719	4,347,935	4,726,657	378,722
EXPENDITURES				
Current:				
General government	1,231,990	1,522,103	1,024,191	497,912
Public safety	1,907,452	1,907,452	1,907,351	101
Environmental protection	24,400	37,800	19,168	18,632
Economic and physical development	152,143	152,143	108,805	43,338
Culture and recreation	177,137	226,137	142,728	83,409
Transportation	526,897	5,000	4,572	428
Debt Service:				
Principal retirement	300,000	300,000	300,000	-
Interest and other charges	113,700	113,700	85,350	28,350
Total Expenditures	4,433,719	4,264,335	3,592,165	672,170
REVENUES OVER (UNDER) EXPENDITURES	-	83,600	1,134,492	1,050,892
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	-	85,000	15,775	(69,225)
Transfers to capital project funds	-	(171,000)	(171,000)	-
Total other financing sources (uses)	-	(86,000)	(155,225)	(69,225)
Fund Balance Appropriated	-	2,400	-	(2,400)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	979,267	\$ 979,267
FUND BALANCE				
Beginning balance -- July 1			5,664,311	
Ending balance -- June 30			<u>\$ 6,643,578</u>	

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	MAJOR ENTERPRISE FUNDS
	Stormwater Fund
<u>ASSETS</u>	
Accounts receivable	\$ 11,587
Due from other funds	329,154
Total Assets	\$ 340,741
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 8,475
Due to other funds	137,513
Unearned revenue	0
Total Liabilities	\$ 145,988
<u>NET POSITION</u>	
Unrestricted	194,753
Total net position	\$ 194,753

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	<u>MAJOR ENTERPRISE FUNDS</u>
	Stormwater Fund
<u>OPERATING REVENUES</u>	
Stormwater fees	\$ 340,583
<u>OPERATING EXPENSES</u>	
Administration	\$ 54,290
Operating	91,622
Total operating expenses	145,912
Operating income (loss)	\$ 194,671
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Investment earnings	\$ 82
Change in net position	\$ 194,753
Total net position, beginning	-
Total net position, ending	\$ 194,753

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>MAJOR ENTERPRISE FUNDS</u>
	Stormwater Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received form customers	\$ 328,996
Cash paid for goods and services	(44,486)
Cash paid to or on behalf of employees for services	(92,951)
Net cash provided (used) by operating activities	\$ 191,559
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due from other funds	\$ (329,154)
Increase in due to other funds	137,513
	\$ (191,641)
 CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	\$ 82
Net increase (decrease) in cash and cash equivalents	\$ -
Balances, beginning	-
Balances, ending	\$ -
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	194,671
Changes in assets and liabilities:	-
(Increase) decrease in accounts receivable	(11,587)
Increase (decrease) in accounts payable and accrued liabilities	8,475
Total adjustments	(3,112)
Net cash provided by operating activities	\$ 191,559

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Butner conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Butner is a municipal corporation that is governed by an elected mayor and a six-member council. These financial statements present only the financial operations of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town of Butner, North Carolina. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenues, State grants, and other taxes and licenses. The primary expenditures are for streets and highways, public safety, and general governmental services. The Town maintains a separate Powell Bill fund for accounting purposes. This fund has been consolidated into the General Fund for reporting purposes.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

B Street Ballfield Fund – The B Street Ballfield Fund is a capital projects fund for the construction of a new athletic park for the Town. The primary revenues sources are grant funds, installment purchase proceeds and transfers from the General Fund.

Stormwater Fund – The Stormwater Fund is used for the Town's stormwater operations.

The Town reports the following non-major governmental funds:

Grant Project Special Revenue Funds – These funds are used to account for grant funds that are restricted for use for a particular purpose. The Greenway Construction Grant Fund, Safe Routes to School Sidewalk Grant Fund, and the Lake Holt Tourism Fund are grant project special revenue funds.

Capital Project Funds – This fund is used to account for funds that are restricted for the use for a particular purpose. The Central Sidewalk Project Fund is a capital project fund.

C. **Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Financial Fund Statements. The government-wide fund and proprietary financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town of Butner considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Granville County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Butner. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle tax for vehicles registered in Granville County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenue.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Funds and Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The budget ordinance must be

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principle office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law (G.S. 159-30 (c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

4. Prepaid Expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are classified as prepaid expenses in both government-wide and fund financial statements.

5. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the Town of Butner, North Carolina has established a

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all categories of capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-40
Improvements	15
Infrastructure	30
Vehicles	5
Furniture and equipment	7
Computer equipment	5

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for the category – prepaid taxes and property taxes receivable.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

The vacation policy for the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governmental or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid items – portion of fund balance that is non-spendable since it has been utilized to pay expenses of future periods.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets–Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Grant Projects – portion of fund balance that is restricted by revenue source for specific grant project expenditures. Fund balance of \$2,203 has been restricted for the Lake Holt Tourism Project.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Butner's Town Council. Any changes or removal of specific purpose requires majority action by the Town Council.

Committed for General Government – portion of fund balance that is committed from the general fund by the Town Council for the future establishment of a community center for the citizens of the Town. Fund balance of \$52,018 has been committed for the community center.

Committed for Cultural and Recreational – portion of the fund balance that is committed from the general fund by the Town Council for the establishment of a museum about the history of the Town and Camp Butner. Fund balance of \$76,955 has been committed for the museum and future community center.

Committed for Capital Projects – portion of the fund balance committed by the Town Council for capital project expenditures. Fund balance of \$19,660 and \$4,752, is committed for the B Street Ballfield and Central Sidewalk capital projects, respectively.

Committed for Grant Projects – portion of the fund balance committed by the Town Council for grant project expenditures. Fund balance of \$-0- has been committed for the Safe Routes to School Sidewalks project.

Assigned fund balance – portion of fund balance that the Town of Butner intends to use for specific purposes.

Subsequent year's expenditures -- portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Butner has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit in Fund Balance or Net Position of Individual Funds

The Safe Routes to School Sidewalk Grant Fund has a deficit fund balance of \$41,003. The Town will more closely monitor this in the future.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

III. DETAIL NOTES ON ALL FUNDS

B. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyses the financial soundness of any other financial institute used by the Town. The Town complies with the provisions of G.S. 159-30 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits had a carrying amount of \$ 427,119 and a bank balance of \$ 531,763. Of the bank balance, \$420,272 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2013, the Town of Butner had \$6,498,208 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town limits investments to the provisions of G.S. 159-30 and restricts purchases to Certificates of Deposit with approved banks, the North Carolina Capital Management Trust, and interest earning checking accounts.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2013</u>
General Fund:	
Accounts Receivable	
Solid Waste Tax	\$ 701
Franchise Tax	97,771
Sales tax refund	21,262
Granville County - June tax collections	15,975
ABC tax distribution	14,524
Other receivable	8,429
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Accounts Receivable	<u>158,662</u>
 Sales Tax Receivable	
Local Option Sales Tax	209,665
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Sales Tax Receivable	<u>209,665</u>
 Taxes Receivable	
Ad Valorem Tax	160,274
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Taxes Receivable	<u>160,274</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$12,761,234	\$ -	\$ -	\$ 12,761,234
Construction in Progress	<u>2,683,196</u>	<u>1,265,240</u>	<u>297</u>	<u>3,948,139</u>
Total capital assets not being depreciated	<u>15,444,430</u>	<u>1,265,240</u>	<u>297</u>	<u>16,709,373</u>
Capital Assets being depreciated:				
Improvements	876,580	39,847	-	916,426
Buildings	6,574,539	-	-	6,574,539
Infrastructure	59,337	-	-	59,337
Equipment	402,617	37,300	51,746	388,171
Computer software	185,129	-	-	185,129
Vehicles and motorized equipment	<u>208,132</u>	<u>-</u>	<u>-</u>	<u>208,132</u>
Total capital assets being depreciated	<u>8,306,334</u>	<u>77,147</u>	<u>51,746</u>	<u>8,331,734</u>

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Less accumulated depreciation for:				
Improvements	56,059	55,450	-	111,509
Buildings	516,800	187,514	-	704,314
Infrastructure	989	1,978	-	2,967
Equipment	179,444	48,783	33,663	194,563
Computer software	58,624	37,026	-	95,650
Vehicles	<u>180,030</u>	<u>19,532</u>	-	<u>199,562</u>
Total accumulated depreciation	<u>991,946</u>	<u>\$ 350,283</u>	<u>\$ 33,663</u>	<u>1,308,565</u>
Total capital assets being depreciated, net	<u>7,314,388</u>			<u>7,023,169</u>
Government activity capital assets, net	<u>\$22,758,818</u>			<u>\$ 23,732,542</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 350,283
Public Safety	<u>-</u>
Total depreciation expense	<u>\$ 350,283</u>

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Butner contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement is 6.51% of annual covered payroll. The contribution requirements of the members and of the Town of Butner are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$39,747, \$38,161, and \$36,652, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to all employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. General employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$52,537 which consisted of \$22,587 from the Town and \$29,950 from the general employees.

c. Other Post-employment Benefits

Healthcare Benefits

Plan Description. By the terms of employment contracts as approved by the Town's governing body, the Town is obligated to provide postretirement health care benefits to three potential retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town at the time of retirement. The Town will pay the full cost of coverage for these benefits. Also, such retirees can purchase coverage for their

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

dependents at the Town's group rates. This benefit is not an element of the Town's current personnel policy, and is not available for current or new hires other than the three individuals noted above.

The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town Resolution that can be amended by the Town Board. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2013 the Town's made zero contributions.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual Required Contribution	\$ 75,410
Interest on net OPEB obligation	38
Adjustment to annual required contribution	-
Annual OPEB Cost (Expense)	75,448
Contributions made	-
Increase (decrease) in net OPEB obligation	75,448
Net OPEB obligation, beginning of year	<u>128,392</u>
Net OPEB obligation, end of year	<u>\$ 203,840</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$75,448	0.00%	\$203,392
2012	\$65,389	0.00%	\$128,392
2011	\$37,229	0.00%	\$63,003
2010	\$25,774	0.00%	\$25,774

Funded Status and Funding Process. As of June 30, 2013, the actuarial accrued liability for benefits was \$786,323 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan was \$187,593, and the ratio of the unfunded accrued liability to the covered payroll was 419.2 percent.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to period the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.3 percent initially, reduced to an ultimate rate of 5.6 percent after six years, was used.

Health insurance premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.00 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal 1 percent.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of .05 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was twenty-eight years.

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the Town made contributions to the State for death benefits in the amount of \$-0-. The Town's require contribution for employees not engaged in law enforcement represented 0.00% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Ad valorem taxes receivable	\$ 160,274	\$ 3,149
Total:	\$ 160,274	\$ 3,149

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$ 500,000 and \$ 300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$ 150,000. The property liability pool has an aggregate limit

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond agreement. The blanket bond agreement covers employee dishonesty up to \$50,000, forgery or alteration up to \$50,000, theft of money inside the premises up to \$10,000 and theft of money outside the premises up to \$50,000.

The Town has made the decision that the cost of carrying flood insurance outweighs the risk.

4. Claims, Judgments and Contingent Liabilities

During the year ended June 30, 2013, the Town consulted attorneys on various legal matters. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. Long-Term Obligations

a. Installment Purchase

In July 2010, the Town entered into a loan for \$2,000,000 under the Build America Bonds to finance the construction of a new Town Hall. The loan requires 10 annual principal payments commencing in July 2011 with an interest rate of 4.5 percent. The loan will conclude in 2021 with a final payment of all unpaid principal and interest.

In August 2011, the Town entered into a loan for \$1,000,000 for the construction of an athletic park. The loan requires principal payments beginning in fiscal year 2013 with an interest rate of 3.27 percent.

Annual debt service payments of the installment purchase as of June 30, 2013, including \$471,150 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 300,000	\$ 101,430
2015	300,000	89,160
2016	300,000	76,890
2017	300,000	64,620
2018	300,000	52,350
2019-2022	1,000,000	86,700
Total	\$ 2,500,000	\$ 471,150

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Installment Purchases	\$ 2,800,000	\$ -	\$ 300,000	\$ 2,500,000	\$ 300,000
Compensated Absences	47,352	136	-	47,488	47,488
Other Postemployment Benefits	128,392	75,488	-	203,840	-
Governmental Activity Long-term Liabilities	\$ 2,975,744	\$ 75,624	\$ 300,000	\$ 2,751,328	\$ 347,488
Business-type Activities:					
Compensated Absences	\$ -	\$ 4,902	\$ -	\$ 4,902	\$ 4,902

D. Interfund Balances Activity

Balances due to/from other funds at June 30, 2013 consist of the following:

Due from the General Fund:

Capital Project Funds:	
B Street Ballfield Fund	\$ 37,616
Greenway Construction Fund	166
Central Sidewalk Project Fund	4,752
Proprietary Fund:	
Stormwater	329,154
Grant Project Special Revenue Funds:	
Lake Holt Tourism	<u>2,203</u>
Total due from the General Fund	373,891

Due to the General Fund:

Proprietary Fund:	
Stormwater Fund	137,513
Grant Project Special Revenue Funds:	
Safe Routes to School	41,003
Capital Project Funds:	
B Street Ballfield Fund	<u>43,658</u>
Total due to the General Fund	<u>222,174</u>
Net amount due from the General Fund	<u>\$ 151,717</u>

Due to/from activities are used to move unrestricted revenues and restricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<u>Total Fund Balance—General Fund</u>	<u>\$ 6,643,578</u>
Less:	

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Nonspendable: Prepaid items	10
Stabilization by State Statute	569,239
Streets – Powell Bill	676,836
General Government	52,018
Culture and Recreation	76,955
Grants	5,000
Appropriated fund balance in 2013 budget	-
Remaining Fund Balance	5,263,520

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with the North Carolina Department of Crime Control and Public Safety and Granville County, North Carolina, is a member of the Butner Public Safety Authority, an entity created to provide fire and police protection for the territory of the Camp Butner Reservation. The Authority consists of a seven member board, with three each appointed by the Town of Butner and the Department of Crime Control and Public Safety and one appointed by Granville County. The Town of Butner and the State of North Carolina are obligated by state law to provide funding to the Authority, to be allocated in each fiscal year by the ratio of time spent providing fire and police protection with and outside the corporate limits of the Town of Butner. The amount expended to the Butner Public Safety for the year ended June 30, 2013, was \$1,907,351.

An agreement was entered between the Town of Butner and the Butner Public Safety for the Authority to provide fire and police protection to the residents of the Town of Butner.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Leased Facilities

Pursuant to an agreement executed between the Town and the South Granville Water and Sewer Authority (SGWASA), effective May 2011, the Town leases office space within the Butner Town Hall to SGWASA under the terms of an operating lease expiring May 31, 2031. Under the terms of the agreement, annual minimum lease payments to be remitted to the Town were \$60,000. These revenues are accounted for in the General Fund.

In addition, under the terms of the agreement, SGWASA will pay to the Town additional rent representing a percentage of the utilities, trash collection/disposal, and HVAC maintenance/repair incurred by the Town with regards to the Butner Town Hall.

Under the above agreement, SGWASA paid \$60,000 to the Town of Butner for the fiscal year ended June 30, 2013.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Commitments and Contingencies

With Senate Bill 491, of the 2005-06 Legislative Session entitled "AN ACT TO TRANSFER THE ASSETS OF THE BUTNER WATER AND SEWER SYSTEM TO THE SOUTH GRANVILLE WATER AND SEWER AUTHORITY, AND TO PROVIDE THAT BUTNER PUBLIC SAFETY SHALL BE CONSIDERED THE EQUIVALENT OF A MUNICIPAL POLICE DEPARTMENT FOR PURPOSES OF THE LAWS PROVIDING FOR COOPERATION BETWEEN LAW ENFORCEMENT AGENCIES AND ASSISTANCE TO THE STATE LAW ENFORCEMENT AGENCIES", the General Assembly of North Carolina enacted that South Granville Water and Sewer Authority shall pay to the Department of Health and Human Services a monthly sum to be used by the Department to support the operations of the Butner Reservation. If the majority of the functions of the Butner Reservation are assumed by a municipal corporation (Town of Butner) organized pursuant to the laws of the State of North Carolina, SGWASA shall pay to such municipal corporation (Town of Butner) the sum of forty-one thousand six hundred sixty-six dollars and sixty-seven cents (\$41,666.67) per month for a period of 240 months from the date of said incorporation. The amount received by the Town of Butner for the year ended in June 30, 2013 was \$500,000.

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Town has evaluated events and transactions that occurred between June 30, 2013 and October 25, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The following significant subsequent events were noted:

Beginning July 1, 2013 the Town acquired Butner Public Safety Authority because of the dissolution of the Authority by the State Legislature. The assets of the Authority were transferred to the Town. Butner Public Safety Authority will become a department of the Town that employs 42 police officers.

Also, on August 30, 2013 the Town purchased property adjacent to Gazebo Park for purchase price of \$385,000.

VI. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BUTNER, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
06/30/2010	\$ -	\$ 134,781	\$ 134,781	0.00%	\$ 155,956	86.4%
06/30/2011	-	219,676	219,676	0.00%	179,411	122.4%
06/30/2012	-	409,793	409,793	0.00%	180,352	227.2%
06/30/2013	-	786,323	786,323	0.00%	187,593	419.2%

**TOWN OF BUTNER, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	\$ 25,774	0.00%
2011	37,139	0.00%
2012	64,955	0.00%
2013	75,448	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	6/30/2013
Actuarial cost method	Unit Credit Cost Method
Amortization method	Level percent open
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	2.00%
Projected salary increases	1.00%
Medical cost trend	12 - 6%
* Includes inflation at	3.80%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for the Year Ended June 30, 2012

	2013		VARIANCE POSITIVE (NEGATIVE)	2012
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Ad Valorem Taxes				
Current year	\$ 1,856,035	\$ 1,884,682	\$ 28,647	\$ 1,886,350
Prior years	-	121,640	121,640	33,216
Penalties and interest	8,000	14,812	6,812	9,477
Total	<u>1,864,035</u>	<u>2,021,134</u>	<u>157,099</u>	<u>1,929,043</u>
Unrestricted Intergovernmental Revenues				
ABC profit distribution		28,462		
Local option sales tax	1,121,255	1,199,372	78,117	1,130,668
Franchise tax	408,807	391,184	(17,623)	427,460
Beer and wine tax	30,214	30,975	761	32,994
Total	<u>1,560,276</u>	<u>1,649,993</u>	<u>61,255</u>	<u>1,591,122</u>
Restricted Intergovernmental Revenues				
Solid Waste tax	5,384	4,322	(1,062)	5,199
Granville Co. Recreation Funding	56,405	57,082	677	56,405
"State Street Aid" grant	176,185	181,080	4,895	175,823
Local grant income	-	40,000	40,000	-
Upper Falls Stormwater Mgmt.	-	0	-	125,400
Contract for SGWASA	500,000	500,000	-	500,000
Total	<u>737,974</u>	<u>782,484</u>	<u>44,510</u>	<u>862,827</u>
Permit and Fees				
Special use permits	8,000	13,268	5,268	13,380
Business license fees	75,000	159,445	84,445	109,739
Total	<u>83,000</u>	<u>172,713</u>	<u>89,713</u>	<u>123,119</u>
Sales and Services				
Rentals	82,900	89,459	6,559	84,098
Investment Earnings				
General Fund	1,000	2,761	1,761	2,818
Powell Bill interest	250	133	(117)	388
Total	<u>1,250</u>	<u>2,894</u>	<u>1,644</u>	<u>3,206</u>
Other revenues				
Miscellaneous	18,500	7,980	(10,520)	13,308
Total Revenues	<u>4,347,935</u>	<u>4,726,657</u>	<u>350,260</u>	<u>4,606,723</u>

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for the Year Ended June 30, 2012**

	2013		VARIANCE POSITIVE (NEGATIVE)	2012
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES				
General Government				
Governing Body				
Salaries and employee benefits	\$ 40,907	\$ 40,907	\$ -	\$ 40,907
Ad valorem collection fee	28,216	30,564	(2,348)	28,811
Other operating expenditures	73,041	54,327	18,714	62,397
Total Governing Body	142,164	125,798	16,366	132,115
Executive Department				
Salaries and employee benefits	291,142	279,908	11,234	272,155
Other operating expenditures	62,515	56,779	5,736	43,813
Total Executive Department	353,657	336,687	16,970	315,968
Finance Department				
Salaries and employee benefits	111,084	99,076	12,008	83,912
Other operating expenditures	22,900	15,645	7,255	9,798
Total Finance Department	133,984	114,721	19,263	93,710
Legal Department				
Salaries and employee benefits	11,626	11,626	-	11,641
Other operating expenditures	37,000	20,021	16,979	12,005
Total Legal Department	48,626	31,647	16,979	23,646
Public Works Facility				
Salaries and employee benefits	253,226	244,026	9,200	315,177
Other operating expenditures	76,236	60,721	15,515	65,494
Repairs and maintenance	34,500	9,710	24,790	6,763
Capital outlay	156,435	0	156,435	73,633
Capital outlay, non-depreciable	1,500	499	1,001	-
Total Public Works	521,897	314,956	206,941	461,067
EMS Building				
Operating expenditures	4,150	1,060	3,090	4,408
Total EMS Building	4,150	1,060	3,090	4,408

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for the Year Ended June 30, 2012**

	2013		VARIANCE POSITIVE (NEGATIVE)	2012
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Christmas Decorations				
Professional services	\$ -	\$ -	\$ -	\$ -
Other operating expenditures	13,000	4,973	8,027	6,229
Total Christmas Decorations	13,000	4,973	8,027	6,229
Non-departmental				
Insurance	64,400	45,109	19,291	44,404
Landscaping and beautification	9,900	8,095	1,805	0
Capital outlay	151,325	-	151,325	0
Capital outlay, non-depreciable	-	-	-	-
Miscellaneous	17,000	-	17,000	-
Total Non-departmental	242,625	53,204	189,421	44,404
City Hall				
Operating expenditures	62,000	41,145	20,855	37,258
Total City Hall	62,000	41,145	20,855	37,258
Total General Government	1,522,103	1,024,191	497,912	1,118,805
Public Safety				
Fire and Police	1,907,452	1,907,351	101	1,782,959
Total Public Safety	1,907,452	1,907,351	101	1,782,959
Environmental Protection				
Operating expenditures	37,800	19,168	18,632	205,978
Total Environmental Protection	37,800	19,168	18,632	205,978
Economic and Physical Development				
Salaries and employee benefits	106,443	92,979	13,464	84,205
Other operating expenditures	45,700	15,826	29,874	23,689
Total Economic and Physical Dev.	152,143	108,805	43,338	107,894

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for the Year Ended June 30, 2012**

	2013		VARIANCE POSITIVE (NEGATIVE)	2012
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Cultural and Recreation				
Non-departmental				
Operating expenditures	\$ 9,450	\$ 5,385	\$ 4,065	\$ 6,556
Capital outlay, non-depreciable	-	-	-	68,601
Capital outlay	37,000	28,253	8,747	-
Total Non-departmental	46,450	33,638	12,812	75,157
Gazebo and Park				
Operating expenditures	5,300	3,194	2,106	4,909
Repairs and maintenance	5,000	4,365	635	4,904
Total Gazebo and Park	10,300	7,559	2,741	9,813
Sports Arena				
Operating expenditures	31,025	24,441	6,584	25,897
Repairs and maintenance	4,000	8,002	(4,002)	1,941
Total Sports Arena	35,025	32,443	2,582	27,838
Lake Holt				
Operating expenditures	1,550	574	976	358
Repairs and maintenance	5,000	4,018	982	2,502
Total Lake Holt	6,550	4,592	1,958	2,860
B Street Ball Field				
Operating expenditures	116,512	29,643	86,869	15,533
Repairs and maintenance	6,000	4,792		
Capital outlay, non depreciable	-	25,220	(25,220)	-
Total B Street Ball Field	122,512	59,655	61,649	15,533
D Street Ball Field				
Operating expenditures	2,800	2,215	585	2,200
Repairs and maintenance	2,500	2,626	(126)	906
Total D Street Ball Field	5,300	4,841	459	3,106
Total Culture and Recreation	226,137	142,728	83,409	134,307

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for the Year Ended June 30, 2012**

	2013		VARIANCE POSITIVE (NEGATIVE)	2012
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Transportation				
Operating expenditures	-	-	-	10,563
Capital outlay	-	-	-	59,337
Capital outlay, non-depreciable	5,000	4,572	428	-
Total Transportation	5,000	4,572	428	69,900
Debt Service				
Principal retirement	300,000	300,000	-	200,000
Interest and other charges	113,700	85,350	28,350	58,500
Total Debt Service	413,700	385,350	28,350	258,500
TOTAL EXPENDITURES	4,264,335	3,592,165	672,170	3,678,343
REVENUES OVER (UNDER) EXPENDITURES	83,600	1,134,492	1,050,892	928,380
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	85,000	15,775	(69,225)	481
Transfers (to) from capital project funds	(171,000)	(171,000)	-	(2,189,231)
Total Other Financing Sources	(86,000)	(155,225)	(69,225)	(2,188,750)
Fund Balance Appropriated	2,400	-	(2,400)	-
NET CHANGE IN FUND BALANCE	\$ -	979,267	\$ 979,267	(1,260,370)
FUND BALANCE:				
Beginning balance – July 1		5,664,311		6,924,681
Ending balance – June 30		\$ 6,643,578		\$ 5,664,311

TOWN OF BUTNER, NORTH CAROLINA
CAPITAL PROJECTS FUND – B STREET BALLFIELD
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental :					
B Street Ballfield PARTF Grant	\$ 500,000	\$ 450,000	\$ -	\$ 450,000	\$ (50,000)
Investment earnings	-	346	286	632	632
Total Revenues	<u>500,000</u>	<u>450,346</u>	<u>286</u>	<u>450,632</u>	<u>(49,368)</u>
EXPENDITURES					
Debt Service					
Issuance costs	-	1,900	-	1,900	(1,900)
Capital outlay	4,087,886	2,682,899	1,324,751	4,007,650	80,236
Total Expenditures	<u>4,087,886</u>	<u>2,684,799</u>	<u>1,324,751</u>	<u>4,009,550</u>	<u>78,336</u>
REVENUES UNDER EXPENDITURES	<u>(3,587,886)</u>	<u>(2,234,453)</u>	<u>(1,324,465)</u>	<u>(3,558,918)</u>	<u>28,968</u>
OTHER FINANCING SOURCES					
Transfer from General Fund	2,587,886	2,407,578	171,000	2,578,578	(9,308)
Loan Proceeds	1,000,000	1,000,000	-	1,000,000	-
Total Other Financing Sources	<u>3,587,886</u>	<u>3,407,578</u>	<u>171,000</u>	<u>3,578,578</u>	<u>(9,308)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 1,173,125</u>	<u>(1,153,465)</u>	<u>\$ 19,660</u>	<u>\$ 19,660</u>
FUND BALANCE					
Beginning			1,173,125		
Ending			<u>\$ 19,660</u>		

**TOWN OF BUTNER, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Greenway Construction Fund	Safe Routes To School Sidewalk Grant Fund	Lake Holt Tourism Grant Fund	Central Sidewalk Capital Project	Total Non-Major Governmental Funds
ASSETS					
Due From Other Funds -- General Fund	\$ 166	\$ -	\$ 2,203	\$ 4,752	\$ 7,121
Total Assets	\$ 166	\$ -	\$ 2,203	\$ 4,752	\$ 7,121
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds -- General Fund	\$ -	\$ 41,003	\$ -	\$ -	\$ 41,003
Total Liabilities	\$ -	\$ 41,003	\$ -	\$ -	\$ 41,003
FUND BALANCES					
Restricted					
Grant Projects	166	-	-	-	166
Capital Projects	-	-	2,203	4,752	6,955
Committed	-	-	-	-	-
Capital Projects	-	(41,003)	-	-	(41,003)
Grant Projects	-	-	-	-	-
Total Fund Balances	166	(41,003)	2,203	4,752	(33,882)
TOTAL LIABILITIES AND FUND BALANCES	\$ 166	\$ -	\$ 2,203	\$ 4,752	\$ 7,121

**TOWN OF BUTNER, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Greenway Construction Fund	Safe Routes To School Sidewalk Grant Fund	Lake Holt Tourism Grant Fund	Central Sidewalk Capital Project	Total Non-Major Governmental Funds
REVENUES					
Grant Revenue	\$ 166	\$ 1,890	\$ -	\$ -	\$ 2,056
Investment Earnings	-	58	-	-	58
Total Revenues	166	1,948	-	-	2,114
EXPENDITURES					
Capital Outlay	-	53,385	-	6,970	60,355
Total Expenditures	-	53,385	-	6,970	60,355
REVENUES OVER EXPENDITURES	166	(51,437)	-	(6,970)	(58,241)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds:					
General Fund	-	-	-	-	-
General Fund - Powell Bill	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	166	(51,437)	-	(6,970)	(58,241)
FUND BALANCE					
Beginning	-	10,434	2,203	11,722	24,359
Ending	\$ 166	\$ (41,003)	\$ 2,203	\$ 4,752	\$ (33,882)

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – GREENWAY CONSTRUCTION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Greenway Construction					
CMAQ Grant	\$ 393,600	\$ 205,102	\$ 166	\$ 205,268	\$ (188,332)
Total Revenues	<u>393,600</u>	<u>205,102</u>	<u>166</u>	<u>205,268</u>	<u>(188,332)</u>
EXPENDITURES					
Capital Outlay	492,000	264,707	-	264,707	227,293
Total Expenditures	<u>492,000</u>	<u>264,707</u>	<u>-</u>	<u>264,707</u>	<u>227,293</u>
REVENUES OVER EXPENDITURES	<u>(98,400)</u>	<u>(59,605)</u>	<u>166</u>	<u>(59,439)</u>	<u>38,961</u>
OTHER FINANCING SOURCES (USES)					
Transfers (to) from General Fund	98,400	59,605	-	59,605	(38,795)
Total Other Financing Sources	<u>98,400</u>	<u>59,605</u>	<u>-</u>	<u>59,605</u>	<u>(38,795)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>166</u>	<u>\$ 166</u>	<u>\$ 166</u>
FUND BALANCE					
Beginning			-		
Ending			<u>\$ 166</u>		

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT– SAFE ROUTES TO SCHOOL SIDEWALK
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Safe Routes to School					
Sidewalk Grant	\$ 300,000	\$ 19,100	\$ 1,890	\$ 20,990	\$ (279,010)
Investment Earnings			58	58	58
Total Revenues	<u>300,000</u>	<u>19,100</u>	<u>1,948</u>	<u>21,048</u>	<u>(278,952)</u>
EXPENDITURES					
Capital Outlay	<u>320,000</u>	<u>28,666</u>	<u>53,385</u>	<u>82,051</u>	<u>237,949</u>
Total Expenditures	<u>320,000</u>	<u>28,666</u>	<u>53,385</u>	<u>82,051</u>	<u>237,949</u>
REVENUES OVER EXPENDITURES	<u>(20,000)</u>	<u>(9,566)</u>	<u>(51,437)</u>	<u>(61,003)</u>	<u>(41,003)</u>
OTHER FINANCING SOURCES					
Transfer from General Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Total Other Financing Sources	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 10,434</u>	<u>(51,437)</u>	<u>\$ (41,003)</u>	<u>\$ (41,003)</u>
FUND BALANCE					
Beginning			<u>10,434</u>		
Ending			<u>\$ (41,003)</u>		

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – LAKE HOLT TOURISM
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Lake Holt Tourism Project	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
EXPENDITURES					
Cultural and Recreational:					
Capital Outlay	2,500	297	-	297	2,203
Total Expenditures	<u>2,500</u>	<u>297</u>	<u>-</u>	<u>297</u>	<u>2,203</u>
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 2,203</u>	<u>-</u>	<u>\$ 2,203</u>	<u>\$ 2,203</u>
FUND BALANCE					
Beginning			<u>2,203</u>		
Ending			<u>\$ 2,203</u>		

**TOWN OF BUTNER, NORTH CAROLINA
 CAPITAL PROJECTS FUND- CENTRAL SIDEWALK PROJECT
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Division of Bicycle and Pedestrian Transportation Grant	\$ 110,000	\$ 110,000	\$ -	\$ 110,000	\$ -
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>-</u>
EXPENDITURES					
Capital Outlay	127,600	115,878	6,970	122,848	4,752
Total Expenditures	<u>127,600</u>	<u>115,878</u>	<u>6,970</u>	<u>122,848</u>	<u>4,752</u>
REVENUES OVER EXPENDITURES	<u>(17,600)</u>	<u>(5,878)</u>	<u>(6,970)</u>	<u>(12,848)</u>	<u>4,752</u>
OTHER FINANCING SOURCES					
Transfer from General Fund - Powell Bill Fund Balance	17,600	17,600	-	17,600	-
Total Other Financing Sources	<u>17,600</u>	<u>17,600</u>	<u>-</u>	<u>17,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 11,722</u>	<u>(6,970)</u>	<u>\$ 4,752</u>	<u>\$ 4,752</u>
FUND BALANCE					
Beginning			<u>11,722</u>		
Ending			<u>\$ 4,752</u>		

**TOWN OF BUTNER, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>CURRENT YEAR</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:			
Operating revenues:			
Stormwater fees	\$ 333,734	\$ 340,583	\$ 6,849
Investment earnings	-	82	82
Total Revenues	<u>\$ 333,734</u>	<u>\$ 340,665</u>	<u>\$ 6,931</u>
EXPENDITURES			
Administration:			
Salaries and employee benefits	38,017.00	18,791	19,226
Professional services	6,675.00	27,762	(21,087)
Other operating expenditures	31,907	6,708	25,199
Total Expenditures	<u>76,599</u>	<u>53,261</u>	<u>23,338</u>
EXPENDITURES			
Operating:			
Salaries and employee benefits	83,443	77,725	5,718
Repairs and maintenance	173,692	9,202	164,490
Other operating expenditures	-	822	(822)
Total Expenditures	<u>257,135</u>	<u>87,749</u>	<u>169,386</u>
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 199,655</u>	<u>\$ 199,655</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Reconciling items:			
Increase in accrued vacation pay		(4,902)	
Change in net position		<u>\$ 194,753</u>	

OTHER SCHEDULES

**TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013**

<u>YEAR</u>	<u>UNCOLLECTED BALANCE June 30, 2012</u>	<u>ADDITIONS</u>	<u>COLLECTIONS AND CREDITS</u>	<u>UNCOLLECTED BALANCE June 30, 2013</u>
2012-2013	\$ -	\$ 1,956,993	\$ 1,907,598	\$ 49,395
2011-2012	55,941	-	48,950.00	6,991
2010-2011	16,162	-	12,026	4,136
2009-2010	19,659	-	15,302	4,357
2008-2009	18,544	-	15,459	3,085
2007-2008	49,397	-	14,695	34,702
2006-2007	67,474	-	14,552	52,922
2005-2006	1,817	-	315	1,502
2004-2005	1,643	-	170	1,473
2003-2004	1,798	-	87	1,711
2002-2003	1,890	-	1,890	-
2001-2002	-	-	-	-
	<u>\$ 234,325</u>	<u>\$ 1,956,993</u>	<u>\$ 2,031,044</u>	<u>\$ 160,274</u>

Reconciliation with Revenues:

Ad Valorem Tax – General Fund	2,021,134
Tax Discounts and Releases	21,959
Tax Penalties and Interest	(14,812)
Refunds	932
Taxes Written Off	1,831
Total Collections and Credits	<u>\$ 2,031,044</u>

**TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES
JUNE 30, 2013**

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 512,679,645	0.35	\$ 1,794,378	\$ 1,794,378	\$ -
Registered motor vehicles taxed at current year's rate	<u>41,645,961</u>	0.35	<u>145,761</u>	<u>-</u>	<u>145,761</u>
Total Levy	554,325,606		1,940,139	1,794,378	145,761
Discoveries	5,587,480	0.35	19,556	12,288	7,268
Abatements	<u>(772,289)</u>	0.35	<u>(2,702)</u>	<u>(509)</u>	<u>(2,193)</u>
Total Property Valuation	<u><u>\$ 559,140,797</u></u>				
Net Levy			1,956,993	1,806,157	150,836
Less: Uncollected Tax at June 30, 2013			<u>(49,395)</u>	<u>(20,818)</u>	<u>(28,577)</u>
Current Year Taxes Collected			<u><u>\$ 1,907,598</u></u>	<u><u>\$ 1,785,339</u></u>	<u><u>\$ 122,259</u></u>
Current Levy Collection %			<u><u>97.48%</u></u>	<u><u>98.85%</u></u>	<u><u>81.05%</u></u>

COMPLIANCE SECTION

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing
Standards***

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Butner, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Butner's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Butner's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Butner's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Butner's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

October 28, 2013